



United States
Department of
Agriculture

Farmers
Home
Administration

Washington
D.C.
20250

FmHA AN No. 2428 (1962)

December 11, 1991

SUBJECT: Rollovers and Releases of Income From Sale Of Normal
Income Security

TO: State Directors, District Directors, and County
Supervisors

PURPOSE/INTENDED OUTCOME:

The purpose of this AN is to clarify the term "rollovers" as prohibited by the unnumbered letter dated January 28, 1991, entitled "Fiscal Year 1991 Operating Loan Allocation" with regard to "releases" of normal income security under Section 1962.17 of FmHA Instruction 1962-A. The intended outcome of this AN is to provide clarification for use of releases and rollovers.

COMPARISON WITH PREVIOUS AN:

There is no previous AN on this subject.

IMPLEMENTATION RESPONSIBILITIES:

County Supervisors are required to "release" proceeds from the sale of normal income security for essential farm operating and family living expenses to borrowers who have not yet been accelerated. The borrower must demonstrate the need for such a release in accordance with Section 1962.17 of FmHA Instruction 1962-A, regardless of whether the request is for past or future expenses. The proceeds from such releases will be placed in a supervised bank account and disbursed in accordance with an agreed upon Farm and Home Plan and Form FmHA 1962-1, "Agreement for the Use of Proceeds/Release of Chattel Security." All available income from other sources will be considered when determining the amount of release needed.

The action described above is not considered to be a "rollover" prohibited by the unnumbered letter dated January 28, 1991, titled "Fiscal Year 1991 Operating Loan Allocation." A "rollover" is defined in the unnumbered letter

EXPIRATION DATE: October 31, 1992

FILING INSTRUCTIONS:
Preceding FmHA
Instruction 1962-A



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as the rescheduling of an annual operating loan and the release of proceeds from the sale of income security to finance the future year's production. The prohibition is aimed at preventing the rescheduling of an annual production loan to allow a borrower, who is not in financial difficulty, to use the sale proceeds from the current year's normal income security for the future year's operating expenses, so as to limit the need for another annual production loan. By contrast, Section 1962.17 of FmHA Instruction 1962-A only authorizes releases for "essential" family living and operating expenses. Such releases may or may not involve a simultaneous rescheduling of an annual operating loan. RESCHEDULING OF LOANS IS A PRIMARY LOAN SERVICING ACTION AND MUST MEET ALL OF THE ELIGIBILITY REQUIREMENTS SET FORTH IN FmHA REGULATION 1951-S.

If you have any questions, please contact Charles W. Thompson, Farmer Programs Loan Servicing and Property Management Division, at 690-4011.



LA VERNE AUSMAN
Administrator

Sent by Time Delay Option to States at 2:00 pm on 12/23/91 ;
to Districts at 4:00 pm on 12/23/91; to Counties at 7:30 am on 12/24/91 .